

**OFFICE OF THE COMMISSIONER OF CUSTOMS (EXPORT),
JAWAHARLAL NEHRU CUSTOM HOUSE, NHAVA SHEVA.**

File No. S/12-Gen- 02/2006-07 AM

(X)  Date. 26.10.2006

STANDING ORDER NO. 42 /2006

Sub : Computation of Value Addition where some Materials are Supplied

 Free of Cost Determination of Drawback under Rule 6 or

 Rule 7 of Drawback Rules reg.



Attention of all concerned is invited to Ministry's Circular No. 25 / 2006 Customs vide F. No. 602/9/2005-DBK dated 19.09.2006 regarding Computation of Value Addition where some Materials are Supplied Free of Cost Determination of Drawback under Rule 6 or Rule 7 of Drawback Rules.

A doubt has been raised as to whether the value of imported materials supplied Free of Cost by the foreign buyer should be added to the export value of the goods for the purpose of calculation of value addition stipulated under Section 75 (1) of the Customs Act, 1962 read with Rule 8 (2) of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 while determining the brand rate of duty drawback under Rule 6 or

should not be added to the FOB and CIF values at all. If this is done, the value addition in most of the cases would be positive, entitling the exporters to avail of the facility of duty drawback. However, in terms of paragraph 4.6 of the Handbook of Procedures, Vol-I of the Foreign Trade Policy, under advance licensing scheme, where some material are supplied free of cost, the value addition is computed by adding the notional value of free of cost material to both the CIF value of imports and FOB value of exports. Having regard to this provision and in order to ensure uniformity in the matter, it has been decided that, for the purpose of calculation of value addition under brand rate claims, the notional value of imported materials supplied free of cost by the foreign supplier should be added both to the CIF value of inputs and the FOB value of export goods .Pending cases will be decided on the basis of above instructions.

All concerned are directed to follow the above guidelines scrupulously.

(NAJIB SHAH)

COMMISSIONER OF CUSTOMS
(EXPORT),

JAWAHARLAL NEHRU CUSTOM
HOUSE,

